

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EDINBURGH

JOHNSON COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED
05/03/2023

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Internal Controls over Financial Transactions and Reporting.....	6-7
Capital Assets	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Scott Finley	01-01-22 to 12-31-23
President of the Town Council	Ryan Piercefield	01-01-22 to 12-31-23
Town Manager	(Vacant) Dan Cartwright (Vacant) Ryan Piercefield (interim) Wade Watson (interim)	01-01-22 to 02-07-22 02-08-22 to 07-08-22 07-09-22 to 07-10-22 07-11-22 to 09-11-22 09-12-22 to 12-31-23
Superintendent of Water Utility	Bill Jones	01-01-22 to 12-31-23
Superintendent of Electric Utility	Kevin Rubush	01-01-22 to 12-31-23
Superintendent of Wastewater Utility	Rebecca Frakes (Vacant) Robert Jessie	01-01-22 to 01-04-23 01-05-23 to 02-26-23 02-27-23 to 12-31-23
Parks and Recreation Superintendent	Dan Teter	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF EDINBURGH, JOHNSON COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Edinburgh (Town), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

A handwritten signature in blue ink that reads "Beth Kelley".

Beth Kelley, CPA, CFE
Deputy State Examiner

April 25, 2023

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CLERK-TREASURER
TOWN OF EDINBURGH

CLERK-TREASURER
TOWN OF EDINBURGH
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Condition and Context

Internal controls over financial close and reporting were insufficient.

A proper system of internal controls were not in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR) submission. Financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, was reviewed and approved by someone other than the person entering the data; however, errors remained undetected.

The AFR and financial statement for 2022 contained the following errors:

- Receipts were understated by \$6,505,235.
- Disbursements were understated by \$2,662,400.
- Ending cash and investments balance was understated by \$3,842,795.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

CLERK-TREASURER
TOWN OF EDINBURGH
AUDIT RESULTS AND COMMENTS
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

The same comment appeared in prior Report B58465.

Condition and Context

The Town and its Utilities did not maintain adequate capital asset records. There was not a clear audit trail showing how the capital assets totals were accumulated. In addition, a physical inventory had not been taken to verify that the capital asset records are correct.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF EDINBURGH
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2023, with Scott Finley, Clerk-Treasurer; Miriam Rooks, Town Council member; and Wade Watson, interim Town Manager.